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TO RUEHC/SECSTATE WASHDC 0549
INFO RUEHBJ/AMEMBASSY BEIJING 5309
RUEHMO/AMEMBASSY MOSCOW 1625
RUEHUL/AMEMBASSY SEOUL 2533
RUEHKO/AMEMBASSY TOKYO 2292
RUEHGP/AMEMBASSY SINGAPORE 0302
RUEHRL/AMEMBASSY BERLIN 0069
RUEHRO/AMEMBASSY ROME 0031
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RUEATRS/DEPT OF TREASURY WASHDC
RUCPODC/USDOC WASHDC 1126
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STATE FOR EAP/CM, EB/TRA, EB/IFD/OIA
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SUBJECT: Mongolia Accedes to Cape Town Convention

¶1. The Mongolian government has formally completed the process of accession to the Cape Town Convention and the Protocol to the Convention on International Interests in Mobile Equipment on Matters specific to Aircraft Equipment. The convention facilitates asset-based financing and leasing of large commercial aircraft and aircraft engines. The GOM deposited the instrument of accession to the treaty and the accompanying protocol on October 19 with the International Institute for the Unification of Private Law (UNIDROIT), the treaty depositary. The Convention and the Aircraft Protocol will enter into force for Mongolia on February 1, 2007. (Note: The accessions and the list of Mongolia's declarations can be found at: http://www.unidroit.org/english/implement/i-2_001-convention.pdf.)

¶2. The GOM moved to accede to the convention after Mongolia's government-owned airline MIAT expressed interest in securing additional aircraft to expand its international fleet. MIAT has been working with Boeing to arrange EXIM financing for the transactions, but EXIM financing could not be arranged without Mongolia's accession to the Cape Town Convention.

¶3. Details of the potential deal with Boeing must still be negotiated. MIAT believes that rising incomes in Mongolia and an influx of tourists detouring from the Beijing Summer Olympic games in 2008 will translate to increased passenger loads over the next few years and the airline is positioning itself to take advantage. The airline currently leases two aircraft -- one Boeing 737 and one Airbus 310 -- for its international routes, which include Beijing, Seoul, Moscow, Tokyo and Berlin. The Airbus lease expires in 2008 and MIAT aims to replace it with one or two 737s while studying the feasibility of wet-leasing a 767.

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